

From: BEIJING
Sent: Saturday, 2 June 2018 1:15 AM
To: NAD; DS AAG; DS MLG; DS PDG; DS TEG; DCE; CEO; MPU; PCA; APEC APD; ...CHINA POSTS; FM.NAB (Seemail); FM.P/S MFA (Seemail); FM.DPMC (FPA) (Seemail); FM.P/S Trade (Seemail); ...EAS POSTS; ...PACIFIC POSTS; NEW YORK; FM.Defence (Seemail); ...POLICY DIVISIONS; ...APEC POSTS; ...EUROPEAN POSTS; ...TRADE POSTS; FM.NZTE (Seemail); FM.Treasury (Seemail); FM.Police (Seemail); FM.Reserve Bank NZ (Seemail); FM.MBIE Science & Innovation (Seemail); FM.MPI (Seemail); FM.Crown Law Office (Seemail); FM.Justice Ministry (Seemail)
Subject: FORMAL MESSAGE: VISIT TO CHINA BY DEPUTY PRIME MINISTER AND FOREIGN MINISTER WINSTON PETERS, 24-27 MAY 2018
Attachments: Attachments out of scope

Security Classification:

HANDLING INSTRUCTIONS

Crown Law: Mark Lillico
Defence: IB, Dep Sec P&P
Justice: Edrick Child, Chris Hurd
MBIE: Vaughan, Stocks
MPI: Dunne, Mair, Knox, Carson
NAB: s9(2)(a)
NZTE: Murphy, Corkery, Cochrane, McGukian, Prebble, Arand, Liu
Police: Gregory Williams, Hamish McCardle, Stuart Mills
Reserve Bank: McDermott, Perry, Cassino
Treasury: Browne, Riches, Hamer-Adams, Taylor, Makhoulouf

SUMMARY

- Deputy Prime Minister and Foreign Minister Winston Peters (MFA) visited China from 24-27 May, building on the successful first meetings of Prime Minister Ardern and MFA with Chinese counterparts in the margins of the November APEC meetings.

OUT OF SCOPE

OUT OF SCOPE

ATTACHMENTS

OUT OF SCOPE

ACTION

We shall report separately on matters relating to Mr Peters' racing portfolio.

REPORT

Deputy Prime Minister and Foreign Minister Rt. Hon Winston Peters (MFA) visited Beijing for meetings on 25 and 26 May, the first visit by a member of the New Zealand coalition government.

OUT OF SCOPE

4. Other elements of the visit included OUT OF SCOPE
an event with representatives of China's racing industry (see separate reporting).

The remainder of this Formal Message is out of scope

From: BEIJING
Sent: Wednesday, 6 June 2018 10:47 PM
To: BEIJING; NAD; FM.Internal Affairs (Seemail); FM.MPI (Seemail)
Cc: DS TEG; DCE; CEO; ...CHINA POSTS; FM.P/S MFA (Seemail); FM.P/S Trade (Seemail); FM.NZTE (Seemail); DS AAG; ECO; TND
Subject: FORMAL MESSAGE: DPM VISIT TO CHINA MAY 2018: ENGAGEMENT WITH CHINA'S RACING INDUSTRY

Security Classification:

DISTRIBUTION

DIA: Racing
MPI: Dunne, Mair, Knox, Carson
NZTE: Murphy, Corkery, Cochrane, McGukian, Prebble, Arand, Liu

SUMMARY

- The Deputy Prime Minister's recent visit to Beijing allowed for engagement with senior Chinese bloodstock and racing industry figures.
- The industry is optimistic that recently foreshadowed regulatory changes will pave the way to lifting the betting ban in China, allowing betting on horse racing. The change would be limited to Hainan Province, but industry hopes that it will eventually be applied more broadly.
- Liberalisation of the industry is likely to open new opportunities for New Zealand bloodstock and racing services exporters.
- The Chinese industry is encouraging a step-up in government to government contact, suggesting that this will provide a framework for increased commercial activity.

ACTION

Department of Internal Affairs (Racing) – see final paras for action.

REPORT

Our separate FM on the 24-27 May visit to China by Deputy Prime Minister (Minister for Racing), Rt Hon Winston Peters, refers.

2. On 26 May, in his capacity as Minister for Racing, the Deputy Prime Minister met senior members of China's horse racing and bloodstock industry. This element of the programme was facilitated by NZTE and supported by the Ministry for Primary Industries (MPI).
3. Interlocutors included senior representatives from major private sector breeding companies, including Rider Horse (Inner Mongolia and Yunnan), Qiji Horse Club (Tianjin) and Jinghuaxing (Beijing). The s9(2)(a)

s9(2)(a) senior officials from the China Horse Industry Association (affiliated to China's Ministry of Agriculture and Rural Affairs and responsible for bloodstock/racing sectors) also took part.

4. Discussion addressed the opportunities that could open up for the New Zealand racing industry as a result of regulatory reforms recently signalled by China and set out clearly what the New Zealand bloodstock industry has to offer China as a partner.

5. Gambling, including betting on horses is illegal in mainland China, but legal in Hong Kong and Macau. In April 2018, China's central government announced that it would support the development of horse racing on the island province of Hainan in southern China, along with various types of sports lotteries, as part of a plan to establish Hainan Province as a free trade and tourist port by 2025.

Key points emerging from the discussion

6. The DPM's exchanges with both s9(2)(a) the China Horse Industry Association s9(2)(a) and with senior industry figures, were wide ranging. Perhaps unsurprisingly, the outlook of the group was extremely optimistic: now that the central government has given a green light to developing the racing industry further, they are expecting rapid movement toward opening up legal betting on horse races in Hainan. It remained unclear in which format this would be allowed (e.g. it may be restricted to lotteries), but they were hopeful that the industry would eventually be liberalised throughout China.

7. Participants made the following inter-connected suggestions – that:

- further racing-related government to government engagements should take place, in addition to the 1996 bilateral protocol governing exports of live horses (see below), as this would provide a framework within which commercial cooperation could expand;
- “systematic engagement” between Chinese and New Zealand industries would yield the best results;
- work should begin, building on the 1996 protocol, to have a more comprehensive industry cooperation agreement/arrangement put in place. (Evidently, China already has such agreements with more than 20 countries).

8. s9(2)(a) suggested that State Councilor and Foreign Minister Wang Yi was a keen supporter of equine diplomacy. s9(2)(a) mentioned at several points in the discussion the positive flow-on from the presentation of ‘gift horses’ to China (for example, the high profile gifting by the French President of *Vesuvius*, a horse from a French state ceremonial squad, admired by President Xi during his last visit to France).

OUT OF SCOPE

COMMENT

15. The announcement of regulatory reform has been a shot in the arm for the Chinese bloodstock industry and, if carried through, is expected to make horse racing more attractive and profitable in mainland China.
16. Hainan Province is seen as a testing ground, and the Chinese industry's hope is that a successful experiment in Hainan would see the sector liberalised in other parts of the country. s9(2)(b)(ii)

17. The New Zealand industry is already mindful of the opportunities for bloodstock and racing service exports that this may open up, not only in Hainan but also across the industry in mainland China.

18. NZ Inc. in China will continue to develop contacts and closely monitor regulatory developments in the racing industry, including through NZTE's commercial partnerships with the New Zealand bloodstock industry, and MPI's ongoing work with China's regulatory agencies. We shall also engage in a round of senior level calls to expand the embassy and relevant consulates' racing industry connections.

19. We would appreciate guidance from DIA/Racing on particular areas of interest, and any plans for stepped up engagement.

ENDS

^[1] The category includes, but is not limited to bloodstock.

Dinner with Chinese racing industry representatives

Objective

- Discuss developments in in China's racing industry and highlight what New Zealand has to offer as a racing industry / bloodstock partner.

Runsheets

- 1745-1800 Guests arrive
- 1800 Minister and delegation arrive, greeted at entrance of Jockey Club by General Manager s9(2)(a) and Membership Manager s9(2)(a)
- 1815 Escorted to restaurant, introduced to guests by Trade Commissioner Liam Corkery and NZTE Business Development Manager Sarah Wang
- 1830 Dinner begins, Minister invited by Ambassador to propose a toast, including remarks
- 1930-1945 Dinner wraps up, Minister and delegation depart

Opening remarks

- Welcome guests from China Horse Industry Association and three of China's major horse racing and breeding companies. Appreciate that one guest s9(2)(a) has travelled all the way from Southwestern China to attend the dinner.
- In China for meetings with Chinese leaders on foreign affairs. Bilateral relationship is broad; strong and growing trade relationship; frequent cultural exchanges; many years of cooperation between our agriculture ministries.
- Given racing portfolio responsibilities, can see the potential for racing and bloodstock connections between the two countries to continue to grow.
- As many of you already know, New Zealand's climate and environment make it very well suited to breeding top-quality thoroughbreds for racing internationally.
- New Zealand horses adapt well to most environments. This is why some of you have already imported live horses from New Zealand over the years.
- Understand China may open up its racing industry in future; interested in your insights on this.

Proposed discussion topics

Seek views from China Horse Industry Association on the major recent developments in China's racing industry and the major challenges facing the industry.

- Seek views from business people on the current state of China's racing industry and prospects for the future.
- Seek views on live horse trade from New Zealand.
- Discuss the current state of the New Zealand racing industry and major recent developments.

Key guests

s9(2)(a)	<p>s9(2)(a) China Horse Industry Association</p> <p>s9(2)(a) can provide an overview of the current state of the domestic racing and horse breeding industry in China and the Association's cooperation with other countries.</p> <p>He can also discuss the Association's role in developing a national register (stud book) for all thoroughbred horses in China.</p>
s9(2)(a)	<p>s9(2)(a) Rider Horse, Yunnan Province</p> <p>Rider Horse s9(2)(b)(ii)</p> <p>Rider Horse also owns horses in New Zealand. s9(2)(a) can discuss Rider Horse's business interests and their future plans for importing live horses from New Zealand.</p> <p>s9(2)(a) is representing Chairman Lang ("Mr Wolf") at this event. The Chairman is hosting a racing event in Inner Mongolia this weekend.</p>
s9(2)(a)	<p>s9(2)(a) Tianjin Qiji Horse Club</p> <p>Tianjin Qiji ("Tyenjin cheejee") s9(2)(b)(ii)</p> <p>owns several thoroughbreds for racing in New Zealand. Tianjin Qiji Horse Club announced a major plan to develop their domestic and international business last year.</p> <p>s9(2)(a) associate, s9(2)(a) is also attending the dinner.</p>
s9(2)(a)	<p>s9(2)(a) China Stud Book Committee (CSBC), China Horse Industry Association</p> <p>s9(2)(a) is responsible for developing China's national register for thoroughbreds. He frequently represents industry at international racing industry discussions.</p>
s9(2)(a)	<p>s9(2)(a) Beijing Jinghuaxing Horse Club</p> <p>The club ("Jing hwa shing") s9(2)(b)(ii)</p> <p>s9(2)(a) is representing Chairman s9(2)(a) at s9(2)(a) request.</p> <p>s9(2)(a) is in Australia for a racing event this weekend.</p>

Background information

New Zealand signed a protocol in 1996 with China to export live horses; exports are predominantly for racing and breeding. More broadly, the horse industry in China also attracts the services of New Zealand equine specialists, such as vets and horse trainers.

Tables 1 and 2 provide detail on NZ exports of live horses for the past three years.

Table 1: Number of live horses exported from New Zealand to China

Year	China mainland	Hong Kong	Macau	Greater China total
2015	187	147	58	392
2016	282	131	61	474
2017	112	179	26	317
TOTAL	581	457	145	1,183

*Source: MPI

Table 2: Value of live horses exported from New Zealand to China

Year	China mainland	Hong Kong	Macau	Greater China total
2015	1,213,600	29,672,084	3,137,500	34,023,184
2016	4,302,546	32,360,500	3,569,000	40,232,046
2017	1,320,333	46,015,379	1,566,000	48,901,712
TOTAL	6,836,479	108,047,963	8,272,500	123,156,942

*Source: GTA

Gambling, including on horses, is illegal in mainland China. But it is legal in the special administrative regions of Hong Kong and Macau. The figures, especially in value terms, for New Zealand live horse exports to Hong Kong and Macau reflect the racing industry in those two regions.

Recent developments in mainland China's racing industry

In April 2018, China's central government announced it would support the development of horse racing on the island of Hainan in southern China, along with various types of sports lotteries, as part of a plan to establish the province as a free trade port by 2025.

Tourism forms an important limb of the Hainan development proposal. To encourage tourism, betting on horse racing may, in time, be legalised in Hainan Province. This would make Hainan the only part of mainland China where betting is legal. If this proposal goes ahead, an increase in demand for live horse exports from New Zealand to China would be likely.

s6(a)

The Hong Kong Jockey Club is currently developing an equine disease-free zone in Guangdong province in southern mainland China, near Hong Kong. This would allow horses to be stabled, medically treated, bred and trained in mainland China for racing in Hong Kong. For this model to work, third countries would need to approve the quarantine facilities in mainland China. [s6(a), s6(b)]

China Horse Industry Association

The China Horse Industry Association is affiliated with China's Ministry of Agriculture and Rural Affairs. It supports horse breeding and registration in China. The Association assists the agriculture ministry with international cooperation on the horse industry.

China currently does not have a unified national registration system for thoroughbreds, making it difficult to trace the ancestry of the animals or their disease status. The China Horse Industry Association is currently trying to develop such a register. [s9(2)(a)]
[redacted] attending the dinner from the China Stud Book Committee, is a key player in this initiative.

Rider Horse

Rider Horse, headquartered in Inner Mongolia, [s9(2)(b)(ii)]

Rider Horse was founded by Chinese businessperson Lang Lin ("Mr Wolf") in 2006. It is China's largest non-farming horse breeder and horse feedstock trader, as well as being a large trader of imported horses. The company organises horse racing at its race tracks in Inner Mongolia and Yunnan. [s9(2)(b)(ii)]

The company holds an annual racing carnival in Inner Mongolia each July. Representatives from New Zealand Bloodstock, New Zealand Thoroughbred Marketing, and Dunstan Horse Feed attended in 2017, along with two New Zealand jockeys and two trainers. Former Ambassador John McKinnon also attended the event along with senior New Zealand Embassy officials from MPI.

*NZTE, MPI, New Zealand Embassy, Beijing
May 2018*

Full Runsheet

Runsheet

1700 Megan Birnie, Sarah Wang, s9(2)(a) arrive at Hong Kong Jockey Club
 Check preparations for Minister's arrival with s9(2)(a)
 Check preparations at restaurant

1745 Liam Corkery, Dave Samuels arrive, proceed to restaurant
 Megan proceeds to Hong Kong Jockey Club entrance

1745-1800 Guests arrive, attended to by Sarah Wang & s9(2)(a) until DPM's arrival

1800 Minister and delegation arrive, greeted at entrance of Jockey Club by
 s9(2)(a) and s9(2)(a)
(Short optional tour of Jockey Club 10-year anniversary art exhibition [if interested])
 Lvl 1: paintings/sculptures; Lvl B1: gallery of Jockey Club members' horses
 Lift from Level B1 to restaurant on Level 2).

1815 Escorted to restaurant, introduced to guests by Trade Commissioner Liam
 Corkery, NZTE Business Development Manager Sarah Wang

1830 Dinner begins, Minister invited by Ambassador to make remarks

1930 Megan to contact drivers prior to departure

1930-1945 Dinner wraps up, Minister and delegation depart
 (Megan to remain behind, follow shortly after)

Chair,
Cabinet

REPORT ON OVERSEAS TRAVEL: CHINA, 24-27 MAY 2018

I recommend that Cabinet note this report on my travel to China from 24-27 May 2018.

This section and pages 2-3 in full are out of scope

OUT OF SCOPE

Released under the Official Information Act

16 The visit programme also included a dinner with senior members of China's horse racing and bloodstock industry. Guests at the event included representatives

from major private sector breeding companies, and senior officials from the China Horse Industry Association (affiliated to China's Ministry of Agriculture and Rural Affairs). The industry is optimistic that recently foreshadowed regulatory changes will pave the way to lifting the betting ban in China, allowing betting on horse racing. The liberalisation would be limited to Hainan Province, but industry hopes that it will eventually be applied more broadly. Liberalisation of the industry is likely to open new opportunities for New Zealand bloodstock and racing services exporters. Discussion at the dinner highlighted what New Zealand has to offer China as a partner.

Recommendation

17 I recommend that Cabinet **note** this report.

Rt Hon Winston Peters
Minister of Foreign Affairs

From: BIRNIE, Megan (BEI)
Sent: Monday, 21 May 2018 11:43 PM
To: FEARNLEY, Clare (BEI)
Cc: HOPE, David (BEI); APPLETON, Thomas (BEI)
Subject: Racing industry dinner

Hi Clare,

As discussed, we are currently looking at up to 20 people (2 tables) for the racing industry dinner. There are a couple of reasons why it was difficult to keep it smaller:

- As mentioned, there is an event in Australia this weekend that many senior industry contacts are attending.
- Rider Horse has its own event in Inner Mongolia this weekend that Mr Lang (Mr Wolf) and several of his senior staff will attend.
- Since MPI and NZTE own the contacts, it has been difficult to keep the numbers on our side down. We need good representation from both agencies alongside the minister's delegation.

All in all, despite the events happening outside Beijing, we have managed to pull together a credible line-up. If we get enough RSVPs in the next couple of days, we will be able to go ahead with the event. If not, we may need to rethink. I'll keep you posted.

At this stage it looks like we will have the following representation:

Rider Horse s9(2)(b)(ii)
s9(2)(a)

has been shoulder tapped to attend. Awaiting RSVP

Tianjin Qiji Horse Club s9(2)(b)(ii)
s9(2)(a) has RSVPd

Beijing Jinghuaxing Horse Club (a large buyer of bloodstock – s9(2)(b)(ii)

Chairman is in Australia for an event. s9(2)(a) has been invited in his place.

China Horse Industry Association: primary body representing the racing and equestrian industries
Awaiting RSVPs for the following (from informal contact appears they will come):

s9(2)(a)

International Department representative

Ministry of Agriculture and Rural Affairs

Senior representation TBC – invitation has been sent by MPI.

Attached is a draft guest list.

Tks, Megan

Megan Birnie
白梅安

First Secretary, Political
New Zealand Embassy, Beijing

s9(2)(a)

megan.birnie@mfat.govt.nz

www.mfat.govt.nz | www.nzembassy.com | www.aid.govt.nz | www.safetravel.govt.nz

[IN CONFIDENCE]

[IN CONFIDENCE]

Released under the Official Information Act